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River Stone Biotech ISG ApS

Annual report for the period
10 August to 31 December 2021

(1st Financial year)

Fruebjergvej 3
2100 København Ø
CVR no. 42 59 67 87

Adopted at the annual general meeting on 20
July 2022

Jørgen Hansen
chairman

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Statement by management on the annual report

The Board of Directors and Executive Board have today discussed and approved the annual report of River Stone Biotech ISG ApS for the financial year 10 August - 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 10 August - 31 December 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 20 July 2022

Executive Board

Jørgen Hansen
CEO

Board of Directors

Jørgen Hansen

Paul D. Goldenheim

Independent auditor's report

To the management of River Stone Biotech ISG ApS

Opinion

We have audited the financial statements of River Stone Biotech ISG ApS for the financial year 10 August - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 10 August - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 20 July 2022

Ri Statsautoriseret Revisionsaktieselskab
CVR no. 53 37 19 14

Joachim Munch
State Authorized Public Accountant
MNE no. mne42244

Company details

The company

River Stone Biotech ISG ApS
Fruebjergvej 3
2100 København Ø

CVR no.: 42 59 67 87

Reporting period: 10 August - 31 December 2021

Incorporated: 10 August 2021

Domicile: København Ø

Board of Directors

Jørgen Hansen
Paul D. Goldenheim

Executive Board

Jørgen Hansen

Auditors

Ri Statsautoriseret Revisionsaktieselskab
Skagensgade 1
2630 Taastrup

Management's review

Business review

River Stone Biotech ISG is an synthetic biology company. Synthetic Biology is disrupting multiple industries, including pharma. The massive advances in synthetic biology over the past decade mean that creating and producing active pharmaceutical ingredients using biological approaches is cheaper, faster, more diverse, and more scalable than ever before.

Financial review

The company's income statement for the year ended 31 December 2021 shows a loss of DKK 3,155,607, and the balance sheet at 31 December 2021 shows negative equity of DKK 615,607.

Management considers the Company's financial performance in the year satisfactory and in line with the strategic directions.

Capital resources

The Company commenced its operating activities in 2021 and, in that connection, incurred start-up costs and research and development costs which exceed the income of the Company. Consequently, equity was lost.

As part of the asset transfer agreement the Company has bought inventory assets from River Stone Biotech ApS for a sum of DKK 2.5 million. The purchase price of DKK 2.5 mill. is paid through a tax-free contribution.

The Company's ability to finance its operating activities in 2022 is ensured by expected sales revenue and continued backing from the parent company.

In 2022, the parent company has provided funding totalling DKK 3,685 mill, which will be converted into equity in 2022.

In the event that the Company is not able to secure additional funding, Management is able to reduce operational activities and maintain the Company as going concern until the end of 2022.

Based on this, it is Management's assessment that the Company's Annual Report may be presented under the going concern assumption.

Reference is made to note 1 for further details.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Accounting policies

The annual report of River Stone Biotech ISG ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises, as well as provisions applying to reporting class C entities.

The annual report for 2021 is presented in DKK.

As 2021 is the company's first reporting period, no comparatives have been presented.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, production costs and other operating income.

Accounting policies

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Income from services, comprising service contracts and extended warranties relating to products and contracts sold is recognised on a straight-line basis as the services are provided.

Administrative costs

Administrative expenses comprise expenses incurred in the year related to management, administrative staff, office premises, office expenses, depreciation, etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Research and development costs

Research costs comprises costs not satisfying the criteria for capitalisation. Research costs comprise salaries, patent costs, consultancy fees, clinical trial costs etc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Tax of the year includes tax credit for costs incurred in connection with research and development activities under the Danish Tax Credit Regime.

Accounting policies

Balance sheet

Intangible assets

Development projects, patents and licences

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the term of the licence, however not more than 5 years.

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Assets costing less than DKK 30,700 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amount of intangible assets, items of property, plant and equipment and investments in subsidiaries, associates and participating interests is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

Accounting policies

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Income statement 10 August 2021 - 31 December 2021

	Note	2021 DKK
Gross profit		709,803
Research and development costs		-4,454,945
Administrative costs		<u>-275,622</u>
Operating profit/loss		-4,020,764
Financial costs		<u>-13</u>
Profit/loss before tax		-4,020,777
Tax on profit/loss for the year	3	<u>865,170</u>
Net profit/loss for the year		<u>-3,155,607</u>
Retained earnings		<u>-3,155,607</u>
		<u>-3,155,607</u>

Balance sheet at 31 December 2021

	Note	2021 DKK
Assets		
Acquired patents		<u>838,750</u>
Intangible assets	4	<u>838,750</u>
Other fixtures and fittings, tools and equipment		<u>174,165</u>
Tangible assets	5	<u>174,165</u>
Total non-current assets		<u>1,012,915</u>
Raw materials and consumables		<u>1,395,000</u>
Stocks		<u>1,395,000</u>
Trade receivables		887,253
Other receivables		1,541,558
Corporation tax		<u>865,170</u>
Receivables		<u>3,293,981</u>
Cash at bank and in hand		<u>24,708</u>
Total current assets		<u>4,713,689</u>
Total assets		<u><u>5,726,604</u></u>

Balance sheet at 31 December 2021

	Note	2021 DKK
Equity and liabilities		
Share capital		40,000
Retained earnings		<u>-655,607</u>
Equity		<u>-615,607</u>
Trade payables		<u>6,342,211</u>
Total current liabilities		<u>6,342,211</u>
Total liabilities		<u>6,342,211</u>
Total equity and liabilities		<u><u>5,726,604</u></u>

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 10 August 2021	40,000	0	40,000
Net profit/loss for the year	0	-3,155,607	-3,155,607
Contribution from group	0	2,500,000	2,500,000
Equity at 31 December 2021	<u>40,000</u>	<u>-655,607</u>	<u>-615,607</u>

Notes

1 Uncertainty about the continued operation (going concern)

In connection with the Executive Board's assessment of the assumption of going concern which forms the basis of the preparation of the Financial Statements of River Stone Biotech ISG ApS for 2021. The Executive board estimates that the current funds available in the group combined with the expected profitable business for the remainder of the year will be sufficient to secure the necessary financing to secure the The Company as going concern until the end of 2022.

In the event that the funding should be insufficient, Management is able to reduce operational activities and maintain the Company as going concern until the end of 2022.

2 Staff

Average number of employees	<u>0</u>
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2021
DKK

3 Tax on profit/loss for the year

Current tax for the year	<u>-865,170</u>
	<u><u>-865,170</u></u>

4 Intangible assets

	<u>Acquired patents</u>
Cost at 10 August 2021	0
Additions for the year	<u>915,000</u>
Cost at 31 December 2021	<u>915,000</u>
Impairment losses and amortisation at 10 August 2021	0
Depreciation for the year	<u>76,250</u>
Impairment losses and amortisation at 31 December 2021	<u>76,250</u>
Carrying amount at 31 December 2021	<u><u>838,750</u></u>

Notes

5 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 10 August 2021	0
Additions for the year	<u>190,000</u>
Cost at 31 December 2021	<u>190,000</u>
Impairment losses and depreciation at 10 August 2021	0
Depreciation for the year	<u>15,835</u>
Impairment losses and depreciation at 31 December 2021	<u>15,835</u>
Carrying amount at 31 December 2021	<u><u>174,165</u></u>

6 Contingent liabilities

The company has no contingent liabilities.